

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7546**

**BILL NUMBER:** HB 1588

**NOTE PREPARED:** Feb 10, 2009

**BILL AMENDED:** Feb 10, 2009

**SUBJECT:** Local Government Finance.

**FIRST AUTHOR:** Rep. Avery

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Vanderburgh County Innkeeper's Tax*- The bill provides that the part of the Vanderburgh County Innkeeper's Tax (VCIT) rate that is dedicated to pay the operating expenses of a convention center is reduced from 2% to 1% after December 31, 2014 (rather than after December 31, 2009, under current law). The bill provides for a corresponding delay in the increase in the part of the Vanderburgh County Innkeeper's Tax rate that is deposited in the Tourism Capital Improvement Fund (TCIF).

*Use of Vanderburgh County Food and Beverage Tax*- The bill specifies that if the Vanderburgh County Council (VCC) adopts a resolution providing that the Vanderburgh County Food and Beverage Tax (VCFBT) should be continued to finance the acquisition, construction, and equipping of an arena and other facilities that serve or support the arena activities, any excess food and beverage tax revenue that is not needed to pay any bonds, leases, or other obligations for a convention center shall be transferred to the fiscal officer of the largest municipality in the county. The bill requires the municipal fiscal officer to deposit the excess VCFBT revenue in a municipal arena fund. The bill provides that money in the municipal arena fund shall be used by the largest municipality in the county for financing the acquisition, construction, and equipping of an arena and other facilities that serve or support the arena activities.

*Continuation/Termination of VCFBT*- The bill specifies that if the VCC adopts a resolution providing that the VCFBT should be continued to finance the acquisition, construction, and equipping of an arena and other facilities that serve or support the arena activities, the VCFBT: (1) does not terminate after the last of the bonds issued to finance improvements to a county auditorium or auditorium renovations, and the last of any bonds issued to refund those bonds, have been completely paid; and (2) continues until the last of the bonds issued to finance the acquisition, construction, and equipping of the arena and other facilities that serve or

support the arena activities, and the last of any bonds issued to refund those bonds, have been completely paid.

*Repealers-* The bill repeals provisions specifying that the amounts received from the food and beverage tax shall be used to pay bonds issued to finance the construction of an airport terminal.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR may be required to process Evansville VCFBT revenue after current debt is retired for the county auditorium.

*Background-* DOR administers, audits, and collects local taxes at approximately \$0.54 per \$100 of revenue. DOR could process the proposed tax within their existing level of resources.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Use of Vanderburgh County Food and Beverage Tax-* If the Vanderburgh County fiscal body were to adopt a resolution to continue the VCFBT for an arena project, the County treasurer would determine if any tax revenue were left over from bonds in existence on January 1, 2009 or earlier. If revenue was not committed to those prior bonds, the treasurer would transfer the excess revenue to the City of Evansville Controller. The city controller would place VCFBT revenue into the municipal arena fund (MAF). If the tax were continued for the arena, the City of Evansville would be able to issue bonds or enter into leases for the project. These bonds could not exceed a term of 30 years.

*Clearance of Auditorium Debt-* If the county treasurer were to certify to the Treasurer of State that all bonds for improvements on the county auditorium had been paid in full, amounts received from the tax from the Treasurer of state would be placed into the MAF.

*Additional Bonding-* The City could also issue bonds in lieu of arena bonding for any special taxing district, agency, department, instrumentality, or law under which bonds may be issued, leases entered, and obligations incurred. Bonds for these purposes would have a term ending no later than 30 years after the first February 1 following the estimated date of the arena completion.

**Explanation of Local Revenues:** (Revised) *Vanderburgh County Innkeeper's Tax-* This provision would delay, for five years, the revenue equivalent to a 1% rate that the TCIF was scheduled to receive after December 31, 2009. The bill would also delay the reduction (from a 2% rate to a 1% rate) of the amount deposited into the Convention Center Operating Fund (CCOF). Under current law, the amount of innkeeper's revenue deposited in the CCOF would be reduced by 1% after December 31, 2009. Under the bill, the reduction would be postponed until after December 31, 2014.

*Use of Vanderburgh County Food and Beverage Tax-* Revenue from the VCFBT would continue to be collected if the conditions specified in the bill were fulfilled. VCFBT revenue is currently paying for bonds to cover costs of renovation and improvements to the county auditorium. The following table illustrates a recent collection history of the tax.

Vanderburgh VCFBT Revenues	
Fiscal Year	Tax Revenue
FY 2008	\$3.7 M
FY 2007	\$3.6 M
FY 2006	\$3.6 M
FY 2005	\$3.3 M
FY 2004	\$3.1 M
Five-year Average	\$3.5 M

**Background-** Food and Beverage Tax- VCFBT revenues are currently being used to pay for bonding for the improvements to the county auditorium (renamed the Centre), with approximately \$23.735 M remaining in principal payments. The current debt service schedule for the Centre indicates payment will take nine and one-half additional state fiscal years to complete. The annual bond payment is approximate to the average revenue from the tax over the last five state fiscal years.

Innkeeper's Tax- Vanderburgh County collected \$3,263,434 in innkeeper's taxes during FY 2008. The current tax rate is 8%. A 1 percent rate would equate to approximately \$408,000 of FY 2008 revenue.

**State Agencies Affected:** DOR, Treasurer of State.

**Local Agencies Affected:** Vanderburgh County, City of Evansville.

**Information Sources:** *Indiana Handbook of Taxes, Revenues, and Appropriations*; City of Evansville Controller's Office, Indiana Economic Digest: [www.indianaeconomicdigest.net](http://www.indianaeconomicdigest.net).

**Fiscal Analyst:** Chris Baker, 317-232-9851.